



PERSONNEL AND
READINESS

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SEP 21 2004


The Honorable Duncan Hunter
Chairman, Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As requested by House Report 104-563, which accompanied the National Defense Authorization Act for Fiscal Year 1997 (Public Law 104-201), I am pleased to forward the annual report describing how each Military Service is progressing towards maximizing appropriated fund support to Category A and B Morale, Welfare and Recreation programs. The enclosed report reflects historical data for Fiscal Years 1995 through 2003. Thank you for your continuing interest in improving Morale, Welfare and Recreation programs for our servicemembers.

A copy of this report is also being sent to the Chairman of the Senate Committee on Armed Services.

Sincerely,


Charles S. Abell
Principal Deputy

Enclosure:
As stated

cc:
The Honorable Ike Skelton
Ranking Member



Report to Congress



**Appropriated Fund (APF) Support to
Morale, Welfare and Recreation (MWR)
Category A and B Programs**

REPORT ON

APPROPRIATED FUND (APF) SUPPORT TO MORALE, WELFARE AND RECREATION (MWR) CATEGORY A AND B PROGRAMS

PREFACE

As requested by House Report 104-563, which accompanied the National Defense Authorization Act (NDAA) for Fiscal Year 1997 (Public Law 104-201) this annual report describes how each Military Service is progressing with maximizing appropriated fund support to Category A and B Morale, Welfare and Recreation (MWR) programs.

DISCUSSION

MWR programs are vital to mission accomplishment and form an integral part of the non-pay compensation system. These programs provide a sense of community and provide support services commonly furnished by other employers, or other state and local governments, to their employees and citizens. MWR programs encourage positive individual values and aid in readiness, recruitment and retention of personnel. They provide for the physical, cultural, and social needs and general well-being of Service members and their families, providing community support systems that make DoD installations temporary hometowns for a mobile military population.

MWR programs are resourced from either appropriated funds (APFs) or nonappropriated funds (NAFs), or a combination of both. However, the basic standard is to use APFs to fund 100 percent of authorized costs. Authorized APF expenditures are outlined in enclosure 6 of DoD Instruction 1015.10, "Programs for Military Morale, Welfare, and Recreation (MWR)," November 3, 1995. These authorizations vary by MWR category. DoD and Congress recognize the need to support these programs with APF, and therefore minimum standards for APF support of Category A and Category B programs have been set towards meeting the Department's goal of fulfilling the basic standard. These minimum standards are intended to ensure that Service APF funding satisfies appropriate authorized APF requirements. As established by enclosure 7 of DoDI 1015.10, the minimum APF support for Category A programs is 85 percent of total category expenditures, and for Category B programs, 65 percent of total category expenditures.

There are three categories of MWR programs. This report addresses Category A and B program support. Category C programs are categorized as revenue generating and receive very limited APF support.

MWR Category A and B Descriptions

Category A -- Mission Sustaining Programs: These programs are considered the most essential in meeting the organizational objectives of the Military Services and are to be supported almost

entirely with APFs. Programs within this category promote the physical and mental well-being of the military member, a requirement that supports accomplishment of the basic military mission. The following are examples of Category A programs: Physical Fitness and Aquatics; Library Programs; On-Installation Parks and Picnic Areas; Basic Social Recreation Program; Shipboard, Company, and/or Unit Level Programs; Sports and Athletics (Self-Directed, Unit Level, Intramural).

Category B -- Community Support Programs: These programs are closely related, in terms of supporting the military mission, to those grouped in Category A and should receive substantial amounts of APF support. They satisfy the basic physiological and psychological needs of Service members and families, providing, to the extent possible, the community support systems that make DoD installations temporary hometowns for a mobile military population. The following are examples of Category B programs: Child Development Programs; Youth Activities; Outdoor Recreation; Arts and Crafts Skill Development; Automotive Crafts Skill Development; Sports Programs (Above Intramural Level).

Category A and B Funding Standards

In November 1995, DoD established funding standards for MWR program categories to monitor the degree of appropriated funding of MWR programs by category. The funding standards are applied to APF and NAF support of Category A and B activities. For purposes of computing the standards, APF and NAF common support costs have been pro-rated among Categories A, B, and C. APF support included in these standards excludes military construction (MILCON). NAF support excludes depreciation and cost of goods sold. Fiscal year 1995 is the base year for Service reporting to OSD.

Category A activities are entitled to the highest degree of APF support and virtually all expenses should be supported with APFs. However, there are some activities included in Category A that are not expected to be fully funded with APFs. Two examples are shipboard, company, and/or unit level programs and Armed Forces Professional Entertainment Overseas. In addition, Category A programs at the installation level are sometimes collocated with other minor resale functions that are not authorized APF support. The small size of these collocated resale activities makes it impractical to break them out and report them separately. For these reasons, the DoD minimum standard for Category A APF support is 85 percent of total expenditures.

Category B activities have limited ability to generate NAF revenues and are therefore entitled to a substantial level of APF support. Category B activities could not be sustained without a significant level of APF support. The DoD minimum standard for APF funding is 65 percent of the total expenditures.

Financial Standards Report from the Military Services

Category A for FY 2003: All Military Services met the 85 percent minimum standard and are striving to achieve the basic standard to fund 100 percent of authorized costs. When comparing

FY 2003 funding to the FY 2002, APF for all Services increased by \$92 million. For NAF, all Services increased by \$10.6 million dollars. The Army percentage of APF support increased by one percent, the Navy reduced by two percent, and Air Force remained the same. The Marine Corps APF increased by \$17.3 million and NAF decreased by \$1.2 million, resulting in APF support increasing by two percent. For DoD, the APF support percent remained the same at 91 percent.

Category A (85%)*
Dollars in Millions

<u>Service</u>	<u>Year</u>	<u>APF</u>	<u>NAF</u>	<u>Total</u>	<u>APF Percent</u>
Army	FY03	171.2	15.8	187.0	92%
	FY02	155.7	16.0	171.7	91%
	FY01	148.9	16.1	165.0	90%
	FY00	150.9	16.5	167.3	90%
	FY99	142.6	19.5	162.2	88%
	FY98	163.5	22.2	185.7	88%
	FY97	173.1	26.0	199.1	87%
	FY96	152.0	27.8	179.8	85%
	FY95	131.4	33.5	164.9	80%
Navy	FY03	238.8	35.4	274.2	87%
	FY02	221.9	26.1	248.0	89%
	FY01	211.5	23.6	235.1	90%
	FY00	200.3	24.7	225.0	89%
	FY99	191.9	36.0	227.8	84%
	FY98	176.2	32.9	209.1	84%
	FY97	164.3	44.8	209.1	79%
	FY96	149.9	34.4	184.3	81%
	FY95	157.2	37.8	195.0	81%
Air Force	FY03	234.6	7.3	241.9	97%
	FY02	202.9	7.0	209.9	97%
	FY01	180.0	7.8	187.8	96%
	FY00	166.4	6.6	173.0	96%
	FY99	171.8	5.5	177.3	97%
	FY98	168.3	7.2	175.5	96%
	FY97	178.9	9.1	187.9	95%
	FY96	197.4	8.1	205.5	96%
	FY95	188.3	10.9	199.2	95%
Marine Corps	FY03	91.2	14.8	105.9	86%
	FY02	73.9	13.6	87.5	84%
	FY01	65.0	13.6	78.6	83%
	FY00	55.7	17.8	73.5	76%
	FY99	58.2	17.8	76.0	77%
	FY98	55.5	23.5	78.6	70%
	FY97	45.9	15.5	61.3	75%
	FY96	37.2	19.0	56.1	66%
	FY95	27.9	19.4	47.3	59%

	<u>Year</u>	<u>APF</u>	<u>NAF</u>	<u>Total</u>	<u>APF Percent</u>
DoD Total	FY03	735.8	73.3	809.1	91%
	FY02	654.4	62.7	717.1	91%
	FY01	605.5	61.1	666.6	91%
	FY00	573.3	65.5	638.8	90%
	FY99	564.5	78.8	643.3	88%
	FY98	563.1	85.8	648.9	87%
	FY97	562.1	95.3	657.4	86%
	FY96	536.5	89.3	625.8	86%
	FY95	504.8	101.6	606.4	83%

* Adjusted to pro-rate APF and NAF common support, exclude NAF cost of goods sold and depreciation, and exclude MILCON appropriations.

Category B for FY 2003: The Army, Navy, and Air Force met the minimum standard of 65 percent APF in FY 2003 and are striving to achieve the basic standard to fund 100 percent of authorized costs. APF support for all Services increased by \$71.5 million. For NAF, all Services increased by \$15.9 million. Navy's percent of APF support remained the same, while Army and Air Force increased by two percent. The Marine Corps achieved 61 percent APF support. Marine Corps APF support increased by \$6.7 million and NAF increased by \$2.3 million. Overall, the DoD APF support increased by one percent to 68 percent.

Category B (65%)*

Dollars in Millions

<u>Service</u>	<u>Year</u>	<u>APF</u>	<u>NAF</u>	<u>Total</u>	<u>APF Percent</u>
Army	FY03	355.1	163.1	518.2	69%
	FY02	325.0	156.9	481.9	67%
	FY01	302.9	158.6	461.5	66%
	FY00	282.5	148.2	430.7	66%
	FY99	276.6	153.8	430.4	64%
	FY98	241.4	153.2	394.6	61%
	FY97	247.5	141.2	388.7	64%
	FY96	236.4	142.4	378.8	62%
	FY95	226.6	160.4	387.0	59%
Navy	FY03	166.7	78.7	245.4	68%
	FY02	162.7	74.8	237.5	68%
	FY01	152.3	71.3	223.6	68%
	FY00	146.0	75.8	221.7	66%
	FY99	143.6	79.9	223.6	64%
	FY98	133.6	77.2	210.8	63%
	FY97	132.7	89.2	221.9	60%
	FY96	115.9	91.0	206.9	56%
	FY95	120.1	99.1	219.2	55%
Air Force	FY03	327.3	155.3	482.5	68%
	FY02	296.6	151.8	448.4	66%
	FY01	274.4	149.1	423.5	65%
	FY00	267.4	139.5	406.9	66%
	FY99	253.4	132.7	386.0	66%
	FY98	236.9	147.5	384.4	62%

	<u>Year</u>	<u>APF</u>	<u>NAF</u>	<u>Total</u>	<u>APF Percent</u>
Air Force (Con't)	FY97	209.7	131.2	340.9	62%
	FY96	201.5	121.7	323.2	62%
	FY95	205.6	124.3	329.9	62%
Marine Corps	FY03	72.7	46.4	119.1	61%
	FY02	66.0	44.1	110.1	60%
	FY01	63.7	53.9	117.6	54%
	FY00	49.1	44.6	93.8	52%
	FY99	44.7	45.7	90.3	49%
	FY98	47.7	42.8	89.5	52%
	FY97	44.8	41.1	85.9	52%
	FY96	47.3	51.9	99.2	48%
	FY95	30.6	51.9	82.5	37%
DoD Total	FY03	921.8	443.5	1365.3	68%
	FY02	850.3	427.6	1277.9	67%
	FY01	793.4	432.9	1226.2	65%
	FY00	745.0	408.2	1,153.2	65%
	FY99	718.2	412.1	1,130.3	64%
	FY98	658.6	420.7	1,079.3	61%
	FY97	634.7	402.6	1,037.3	61%
	FY96	601.1	407.0	1,008.1	60%
	FY95	582.9	435.7	1,018.6	57%

* Adjusted to pro-rate APF and NAF common support, exclude NAF cost of goods sold and depreciation, and exclude MILCON appropriations.

SUMMARY

The Department endeavors to reach the established DoD MWR funding standards and, therefore, maximize APF support. The Army, Navy, and Air Force reached the Category A and B minimum standard for APF support and are striving to use APFs to fund 100 percent of the costs for authorized expenses. The Marine Corps made progress since last year and is confident that it will reach the standard because it intends to provide increased funding and is exercising increased baseline management through improvements in education and oversight.

MWR programs are vital to the Department's mission and its commitment to enhance the quality of life for Service members and their families. The Department thanks the Congress for its continuing support for MWR programs.